

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**RESOLUTION E-4139**

**December 20, 2007**

**R E S O L U T I O N**

Resolution E-4139. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively the respondents) request authority to modify their respective Energy Resource Recovery Accounts (ERRAs) to record the costs associated with participation in the Western Renewable Energy Generation Information System (WREGIS). These advice letters are approved.

By PG&E Advice Letter 3023-E (filed on March 30, 2007), Advice Letter 3023-E-A (filed on June 18, 2007), and Advice Letter 3023-E-B (filed on December 3, 2007); SCE Advice Letter 2117-E (filed on April 10, 2007) and Advice Letter 2117-E-A (filed on June 18, 2007); and SDG&E Advice Letter 1189-E (filed on April 18, 2007) and Advice Letter 1189-E-A (filed on June 18, 2007).

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**SUMMARY**

This Resolution approves the requests by Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to modify their respective Energy Resource Recovery Accounts (ERRAs) to record the costs associated with participation in the Western Renewable Energy Generation Information System (WREGIS). Participation in the WREGIS is required for Renewables Portfolio Standard (RPS) compliance. A line item to record the costs of participation in the WREGIS has been added to the respondents' Preliminary Statements in the tariff sheets attached to AL 3023-E-A, AL 2117-E-A, and AL 1189-E-A. PG&E has requested that the tariff sheets attached to this Resolution as Exhibit A replace the tariff sheets attached to AL 3023-E-A. The new tariff sheets use the word "fees" instead of the word "costs".

There were no protests to PG&E Advice Letters 3023-E, 3023-E-A, and 3023-E-B; SCE Advice Letters 2117-E and 2117-E-A; or SDG&E Advice Letters 1189-E and 1189-E-A.

## **BACKGROUND**

### **The California Energy Commission (CEC) helped develop WREGIS to verify compliance with the Renewables Portfolio Standard**

California Public Utilities Code §399.13 requires the CEC to design and implement an accounting system to verify renewables portfolio standard (RPS) compliance, verify that each megawatt-hour (MWh) of renewable generation is counted only once for compliance, certify renewable energy credits, and verify retail product claims.

The CEC worked collaboratively with the Western Governor's Association (WGA) and Western Electric Coordinating Council (WECC) to develop the accounting system, referred to as the Western Renewable Energy Generation Information System (WREGIS). It will track and verify each certificate representing one MWh of renewable generation in the western United States, Canada, and a portion of Baja California.

According to the CEC's RPS Eligibility Guidebook, the CEC intends to use data reported from WREGIS to verify RPS procurement.<sup>1</sup> The CEC will provide this information in a procurement verification report which the Commission will use to determine each respondent's compliance with RPS requirements in accordance with Decision (D.) 06-05-039<sup>2</sup>. In D.06-05-039, the Commission stated that only deliveries verified by the CEC would be counted toward a utility's RPS requirements.

In order to use the WREGIS to track renewable procurement, each Account Holder, including PG&E, SCE, and SDG&E, must pay certain fees. The WREGIS fee structure includes a flat annual fee and three volumetric fees: an issuance fee, a transfer fee, and a retirement fee. The volumetric fees are assessed when a certificate representing a specific MWh of generation is issued, transferred to a different account, or retired for RPS compliance.<sup>3</sup>

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<sup>1</sup> See CEC: Renewables Portfolio Standard (RPS) Eligibility Guidebook; March 2007, 300-2007-006-CMF, page 46.

<sup>2</sup> D.06-05-039, [http://docs.cpuc.ca.gov/PUBLISHED/FINAL\\_DECISION/56685.htm](http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/56685.htm)

<sup>3</sup> For more information on the fee structure, see WREGIS Account Holder Agreement. <http://www.wregis.org/content/blogcategory/26/47/>

**PG&E, SCE, and SDG&E request authority to modify their respective ERRAs to record WREGIS costs**

PG&E submitted Advice Letter 3023-E on March 30, 2007, Advice Letter 3023-E-A<sup>4</sup> on June 18, 2007, and Advice Letter 3023-E-B on December 3, 2007<sup>5</sup>; requesting authority to modify Preliminary Statement part CP in its ERRA to record the costs associated with the WREGIS. SCE filed Advice Letter 2117-E on April 10, 2007 and Advice Letter 2117-E-A on June 18, 2007 requesting authority to modify Preliminary Statement part ZZ in its ERRA to record costs associated with the WREGIS. SDG&E filed Advice Letter 1189-E on April 18, 2007 and Advice Letter 1189-E-A on June 18, 2007 requesting authority to modify its Preliminary Statement in its ERRA to record the costs associated with WREGIS.

In their supplemental filings, the respondents provided an estimate of the total costs they might incur from participating in the WREGIS for one year. For 2008, PG&E estimates its costs will be approximately \$200,000; SCE estimates its costs will be \$196,500; and SDG&E estimates its costs will be approximately \$25,000.

**NOTICE**

Notices of Advice Letters 3023-E, 3023-E-A and 3023-E-B; 2117-E and 2117-E-A; and 1189-E and 1189-E-A were made by publication in the Commission's Daily Calendar. PG&E, SCE, and SDG&E state that copies of the Advice Letters and Supplemental Advice Letters were mailed and distributed in accordance with Section III-G of General Order 96-A.

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<sup>4</sup> Energy Division requested that the respondents file supplemental advice letters to further develop the record on the appropriate treatment for recording the costs of participating in WREGIS.

<sup>5</sup> PG&E filed a second supplemental Advice Letter, 3023-E-B, on December 3, 2007 to correct an error. PG&E originally stated in Advice Letter 3023-E-A that the cost of participation in WREGIS was \$0.02/MWh. Since then, PG&E has gained knowledge that this cost will vary depending on each generated MWh. The error does not affect approval of this Resolution because it authorizes the respondents to record costs not recover costs and because the tariff pages do not refer to any specific amounts for WREGIS fees.

## **PROTESTS**

There were no protests to Advice Letters 3023-E, 3023-E-A and 3023-E-B; 2117-E and 2117-E-A; or 1189-E and 1189-E-A.

## **DISCUSSION**

### **Participation in the WREGIS is required by the CEC to verify RPS compliance**

The WREGIS will track and verify RPS eligible renewable energy generation in the western United States, Canada, and a portion of Baja California. Each megawatt-hour of renewable energy generation used for RPS compliance will be represented in the WREGIS by a “WREGIS certificate”. Each certificate will have a unique serial number in order to prevent duplicate claims to the same units of renewable electricity. Commencing on January 1, 2008, the CEC will require RPS certified facilities, retail sellers, and procurement entities to participate in the system as part of RPS compliance.<sup>6</sup> To facilitate the administration of the WREGIS, participants are required to pay an annual fee and volumetric fees.

### **PG&E, SCE, and SDGE must pay fees to participate in the WREGIS**

In order to comply with RPS requirements, the respondents must participate in the WREGIS and pay the associated fees. Each respondent will pay an annual fee of \$1500/year. The other fees the respondents will pay are volumetric and increase in proportion to the quantity of eligible renewable power that each generates and purchases. A fee is paid each time a certificate representing one MWh of eligible generation is issued, a certificate is transferred to another account, or a certificate is retired to satisfy an RPS requirement.

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<sup>6</sup> See CEC: Renewables Portfolio Standard (RPS) Draft Eligibility Guidebook; September 2007, 300-2007-006-ED3-SD, page 53.

The WREGIS fee schedule for each respondent is expected to be as follows<sup>7</sup>:

FEE TYPE	ANNUAL FEE	ISSUANCE FEE	TRANSFER FEE	RETIREMENT FEE
DESCRIPTION	Paid by WREGIS users each year	Paid each time a certificate is issued	Paid when a certificate is transferred from one account to another	Paid when a certificate is used to satisfy a state RPS requirement.
AMOUNT	\$1500/Year	\$.005/Certificate	\$.005/Certificate	\$.01/Certificate

**It is reasonable that WREGIS costs be recorded in the Energy Resource Recovery Account (ERRA) balancing account rather than recovered in the General Rate Case (GRC)**

Decision (D.) 02-10-062<sup>8</sup> established the ERRA balancing account for PG&E, SCE, and SDG&E to track fuel and purchased power revenues against actual recorded costs. RPS compliance costs associated with the purchase of eligible renewable power are recorded in the ERRA. Participation in the WREGIS is required to track the purchase and verification of renewable generation. Therefore, WREGIS fees are eligible to be recorded in the ERRA.

Other RPS costs related to RPS solicitations and internal labor-related costs are recovered through base rates as a forecast in the respondents' GRCs because they are considered to be administrative in nature.

WREGIS fees are not internal labor-related or administrative costs, rather they are like other RPS compliance costs recorded in the ERRA. Therefore, allowing the respondents to record WREGIS costs in their respective ERRAs, rather than recover them in the GRC, is reasonable.<sup>9</sup>

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<sup>7</sup> See WREGIS Fee Matrix,  
[http://www.wregis.org/index.php?option=com\\_docman&task=doc\\_download&gid=85](http://www.wregis.org/index.php?option=com_docman&task=doc_download&gid=85)

<sup>8</sup> D.02-10-062, [http://docs.cpuc.ca.gov/PUBLISHED/FINAL\\_DECISION/20249.htm](http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/20249.htm)

<sup>9</sup> Approval of this resolution does not cause a rate increase at this time. Approval of this resolution gives the respondents authority to record costs. The recorded costs will be subject to future Commission review before they are recovered.

A line item to record the costs of participation in the WREGIS has been added to the respondents' Preliminary Statements in the tariff sheets attached to AL 3023-E-A, AL 2117-E-A, and AL 1189-E-A. PG&E has requested that the tariff sheets attached to this Resolution as Exhibit A replace the tariff sheets attached to AL 3023-E-A. The new tariff sheets use the word "fees" instead of the word "costs".

### **COMMENTS**

Public Utilities Code section 311(g)(1) generally provides that resolutions must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

All parties in the proceeding have stipulated to waive the 30-day waiting period required by PU Code section 311 (g)(1) and the opportunity to file comments on the draft resolution. Accordingly, this matter will be placed on the Commission's agenda directly for prompt action.

### **FINDINGS**

1. In compliance with Public Utilities Code (PU Code) Section 399.13, the CEC developed the WREGIS accounting system to track and verify RPS eligible renewable generation.
2. The WREGIS will track and verify renewable generation in the western United States, Canada, and a portion of Baja California by issuing a WREGIS certificate for each MWh of renewable generation.
3. Beginning January 1, 2008, the CEC will require RPS-obligated retail sellers, including PG&E, SCE, and SDG&E, to participate in the WREGIS as part of RPS compliance.
4. Expected WREGIS fees include a flat annual fee, an issuance fee, a transfer fee, and retirement fee.
5. RPS compliance costs associated with the purchase of eligible renewable power are recorded in the ERRR.

6. Participation in the WREGIS is required to track the purchase and verification of renewable generation. Therefore, it is reasonable to record WREGIS fees in the ERRRA because the costs associated with WREGIS are directly related to the purchase of RPS eligible renewable generation.

**THEREFORE IT IS ORDERED THAT:**

1. The requests of PG&E, SCE, and SDG&E to record costs associated with WREGIS as requested in Advice Letters 3023-E, 3023-E-A, and 3023-E-B; 2117-E and 2117-E-A; and 1189-E and 1189-E-A are approved.
2. The tariff sheets attached to SCE's AL 2117-E-A and SDG&E's AL 1889-E-A are approved.
3. PG&E is authorized to file revised tariff sheets containing the revision discussed in the text above (and shown in Exhibit A attached to this Resolution), no later than December 31, 2007 to be effective on January 1, 2008.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 20, 2007; the following Commissioners voting favorably thereon:

/s/ Paul Clanon

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
PRESIDENT  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners



PRELIMINARY STATEMENT  
(Continued)

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)

1. **PURPOSE:** The purpose of the Energy Resource Recovery Account (ERRA) is to record and recover power costs, excluding California Department of Water Resources (DWR) contract costs, associated with PG&E's authorized procurement plan, pursuant to Decision 02-10-062, Decision 02-12-074 and California Public Utilities Code § 454.5(d)(3). Power costs recorded in ERRA include, but are not limited to, utility retained generation fuels, Qualifying Facility (QF) contracts, inter-utility contracts, California Independent System Operator (ISO) charges, irrigation district contracts and other Power Purchase Agreements (PPA), fees associated with participating in the Western Renewable Energy Generation Information System (WREGIS), bilateral contracts, forward hedges, bilateral demand response agreements, pre-payments and collateral requirements associated with procurement (including disposition of surplus power), and ancillary services. These costs are offset by reliability-must-run (RMR) revenues, PG&E's allocation of surplus sales revenues and the ERRA revenue. Revenues received from Schedule TBCC will also be recorded to the ERRA.

(N)  
(N)

California Public Utilities Code § 454.5(d)(3) mandates a trigger mechanism to ensure that an undercollection or overcollection in the ERRA does not exceed 5 percent of a utility's recorded generation revenues for the prior year excluding revenues collected for the DWR.

Pursuant to Decision 02-12-074, Conclusion of Law 23 and Ordering Paragraph (OP) 15, PG&E is authorized to file an expedited trigger application at any time that its forecast indicates the undercollection in the ERRA will be in excess of the 5 percent threshold or 5 percent of the prior calendar year generation revenues less revenues collected for DWR during that year.

Pursuant to Decision 04-01-050, the ERRA trigger mechanism for 2004 and subsequent years would be established annually through an Advice Letter on or before April of each year.

Decision 04-12-048 extended the ERRA Trigger to be in effect during the term of the long-term procurement contracts, or 10 years, whichever is longer.

2. **APPLICABILITY:** The ERRA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATES:** Pursuant to Decision 04-01-050, the revision dates applicable to the ERRA shall be (i) June 1 of each year for the forecast filing; (ii) February of each year for the compliance review filing; (iii) as determined in Section 1 above in the case of an ERRA Trigger Application; and (iv) through the advice letter process.

Decision 04-01-050 modified ERRA revision dates for 2004 and beyond specifically that (i) forecast filing date is June 1 of each year; (ii) the reasonableness review in February 2005; and (iii) the ERRA trigger for 2004 and subsequent years would be established annually through an Advice Letter on or before April 1 of each year.

(Continued)





PRELIMINARY STATEMENT

(Continued)

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) (Cont'd.)

5. ACCOUNTING PROCEDURES: (Cont'd.)

The following entries reflect the total costs associated with procuring electricity for customers and other related costs:

- i) A debit entry equal to the amount paid for ISO-related charges;
- j) A debit entry equal to the sum for the month of the product of: (1) the Millions of British Thermal Units (MMBtu) of natural gas burned daily for all purposes at PG&E's fossil plants; and (2) that day's weighted-average cost of gas on a Utility Electric Generation (UEG) portfolio basis (\$/MMBtu);
- k) A debit entry equal to the sum for the month of the product of: (1) the barrels of distillate and heavy fuel oil burned daily for all purposes at the fossil plants; and (2) that day's weighted-average cost of distillate or fuel oil per barrel on a "last-in-first-out" (LIFO) basis;
- l) A debit entry equal to the hydroelectric fuel expenses. The fuel expenses include water purchase costs for the hydroelectric plants;
- m) A debit entry equal to fuel expenses for the Diablo Canyon Nuclear Power Plant;
- n) A debit entry equal to total costs associated with QF obligations that are eligible for recovery as an ongoing CTC;
- o) A debit entry equal to total costs associated with QF obligations that are not eligible for recovery as an ongoing CTC;
- p) A debit entry equal to bilateral contract obligations;
- q) A debit entry equal to hedging contract obligations;
- r) A debit entry equal to renewable contract obligations and fees associated with participating in WREGIS; (T)  
(T)
- s) A debit entry equal to costs associated with irrigation district contracts and other purchase power obligations, excluding WAPA but including capacity contract obligations;
- t) A debit entry equal to spot market purchases;
- u) A debit entry equal to system tolling or capacity contract obligations;
- v) A debit or credit entry equal to pre-payments and credit and collateral payments, including all associated fees, for procurement purchase and, if applicable, reimbursements of pre-payments, credit and collateral payments;
- w) A debit entry equal to incentive payments authorized in the Phase 1 decision of the Advanced Metering, Demand Response, and Dynamic Pricing Proceeding pursuant to Decision 03-03-036;
- x) A debit entry equal to any other power costs associated with procurement;

(Continued)